

**Chairman Miller Statement on Ways and Means Committee  
Hearing on the "Appropriateness of Retirement Plan Fees"**

Tuesday, October 30, 2007

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I applaud Chairman Rangel for convening today's hearing on retirement plan fees, an issue with significant bearing on the retirement security of tens of millions of Americans.

Over the last three decades, the number of Americans with 401(k)-style retirement savings plans has skyrocketed. Today, 50 million workers have 401(k)-style plans. These plans were originally intended to supplement workers' main source of retirement income, not to supplant it. Yet today nearly two-thirds of private sector workers who have a pension have a 401(k) – *and only a 401(k)*.

The median 401(k) account balance is now \$19,000. For many retirees, that's not even enough to finance a single year of retirement. It's no surprise, then, that many Americans worry about how they will ever have enough savings to last them throughout their entire retirement.

Given this increasingly prominent role for 401(k) plans, it is critical that the plans provide the best possible deals for their participants. Unfortunately, many 401(k)-style plans charge hidden fees that can cut deeply into workers' retirement savings. And many plan participants do not have access to low-cost investment options – index funds – that can help them increase their retirement savings.

At an Education and Labor Committee hearing earlier this year, the Government Accountability Office testified that, under current law, weak disclosure requirements mean that workers lack critical information about fees they are paying. According to GAO, 80 percent of workers did not know that fees were being taken out of their accounts. Some of these fees may be reasonable and necessary. Yet without this information, employers and employees simply cannot shop around for the best deals.

The negative consequences of these hidden fees can be significant. According to GAO, a 1 percentage point increase in fees would cut retirement income by almost 20 percent over 20 years and by 30 percent over 30 years.

Earlier this year, I introduced legislation, the 401(k) Fair Disclosure for Retirement Security Act, that would require 401(k) plans to disclose in clear and simple terms all the fees that they are charging to plan participants. The legislation would require that 401(k) plans provide workers with key information on investment options and their risk, returns, and fees.

The legislation would also require employers to offer at least one low-cost index fund as an investment option for employees participating in 401(k) plans.

Studies have shown that index funds outperform an overwhelming majority of actively managed, often higher-cost funds. Plan participants don't have to choose to invest in the index fund if they don't want to, but they should be able to make that choice for themselves.

Finally, the legislation will assist employers by requiring that plan officials know the fees that will be charged before they contract for investment services. Service providers must disclose any potential conflicts of interest they may have.

After a lifetime of hard work, retirees ought not to have to sacrifice their standard of living. Helping workers to make better-informed decisions about their retirement options is a critical step towards increasing retirement security for America's workers.

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